Lloyds Bank Limited

MONTHLY REVIEW

OCTOBER 1931

1677

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Lloyds Bank Limited Monthly Review

New Series—Vol. 2 October, 1931 No. 20

The Suspension of the Gold Standard

ON Monday, September 21st, an official statement became public to the effect that henceforward the Bank of England would not be required to sell gold at a fixed price. The same day a bill was passed through both Houses of Parliament legalizing the relief given to the Bank of England and also empowering the Treasury to issue regulations governing foreign exchange dealings. On Tuesday, the Treasury issued an order prohibiting purchases of foreign exchange by British subjects except for financing normal trade requirements, for executing contracts entered into before September 21st, or for reasonable travelling or personal purposes. The Stock Exchange was closed on that Monday and Tuesday, and Bank rate was raised from 4½ to 6 per cent as from the opening of business on Monday morning.

In this way, the gold standard was suspended in Great Britain. The immediate effect may be described very simply. Anyone having to make a payment in a foreign country could, up to September 19th, if other means failed him or became too expensive, in the last resort do so by buying gold from the Bank of England at its fixed selling price and shipping it to the foreign country in question, where it would be exchanged, also at a fixed price, for the money of that country. To-day, he cannot do this, for the Bank of England need no longer sell him gold. Instead he must buy the foreign currency direct in the market at such a price (rate of exchange) as he and a seller can agree upon between them. Moreover, unless he wants it for a legitimate purpose, which to-day excludes the transfer of British capital abroad, the Treasury order prohibits him from seeking to buy foreign currency at all.

It is far too early to determine the effects of this step. Undoubtedly it is a tragedy, and its consequences will prove far-reaching. Sterling is in a sense the basis of the world's commerce, and the bare announcement of September 21st was sufficient to close at once many of the principal bourses of the world. Now that the pound is no longer exchangeable for

a definite weight of gold, and so for a definite quantity of dollars or francs or other foreign currencies, it no longer stands firm in the sense that it previously did, but is free to rise and fall against foreign currencies, and so in its general purchasing power, almost at the mercy of every passing current. At home, the depreciation of the pound affects the whole basis of existing contracts. Abroad, it must be expected that the pound will carry with it in its divorce from gold many other currencies, and already Denmark, Norway and Sweden have announced the suspension of the gold standard. In short, apart from the numerous initial losses and inconveniences caused by the British departure from gold, the world is likely to find itself once more having to trade in the face of exchange rates that shift almost from day to day. No really informed critic can fail to recognise that the dangers and disadvantages of the suspension of the gold standard greatly outweigh the alleged and spurious benefits.

Fortunately, there is as yet no reason to fear that we are about to experience the same chaotic conditions as ruled immediately after the war. In England, the budget has been balanced, and so all danger of currency inflation removed. The strength of our banking system stands unimpaired and, paradoxically enough, British banks, though now having to operate in a depreciated currency, are the strongest of any in the world. It must not be forgotten that many of the withdrawals of foreign funds from London which were the immediate cause of the pound's breakdown were in reality due to the weakness of the foreign bourses that had placed them there, and to their need to strengthen their cash resources. It may well happen before long that the world will regard London as being more than ever the safest place in which to keep its money, in which case there would be a recovery in the pound.

It may be granted that the world was trying to operate the gold standard under an impossible set of conditions. Reparations, war-debts, high tariffs, profligate Government expenditure, and rigid wage and other high production costs, must all bear their share of the blame. Even so, this does not prove that the gold standard ought to be abandoned as an anachronism, but rather that in future the world must avoid the mistakes it has made in the past. This does not necessarily mean that we ought permanently to depart from gold, but rather that we should examine and rectify the root

causes of that strain. They were in fact summed up by Mr. Gladstone many years ago, when he said " credit is a very delicate plant, apt to wilt under adverse rumours and thriftless husbandry."

Thriftless husbandry . . . Here in England, we have had ample evidence of that, and our great gain to-day is that in the nick of time we cleared ourselves of that reproach—otherwise there might be no limit to the pound's collapse. Adverse rumours . . . developments in the world's international money markets in the last year had led to adverse rumours of every kind and confidence everywhere had already almost entirely disappeared when the Socialist Government fell and the galaxy of public extravagance came to an end. The balancing of the British Budget was a long step in the right direction, but it could not re-establish confidence at a stroke since this had been undermined by unsound methods of long duration at home and abroad. Striking examples of the lack of confidence which still persists are the immense hoarding of dollar notes in the United States and of franc notes in France.

When the German crisis developed recently, under the pressure of foreign withdrawals of money, London at once felt the strain, because those foreign institutions, which could not get their money from Germany, turned instead to London, in order to keep their position liquid. It was, moreover, a matter of public knowledge that there were large sums in sterling deposits and sterling bills held by foreigners in London; indeed, the Macmillan Committee put the figure at over £400,000,000.

So soon as withdrawals began to take place on a large scale from London, foreign centres became alarmed that the course of events in London might follow that in Berlin; they accordingly concluded that they had better get their money away from London while they could. This feeling of alarm was, as may be supposed, immensely intensified by the need which our country was under to borrow, first £50,000,000 and then £80,000,000 in dollars and francs, since such an event was entirely unprecedented and was wholly unexpected by the world. At the last moment alarm was still further intensified by the alleged mutiny in the Atlantic Fleet, details of which were published, with lurid headlines, in Continental centres; and so far as British-owned papers published these reports, they must bear the responsibility for having done their country a very serious disservice.

Incidentally, the development of the German crisis made it known abroad that London had lent large sums to Germany, though not so large as New York, and the fact that Germany was unable to repay London no doubt added to the general feeling of distrust. It appears to be thought in some quarters that this last influence was a very important one, but such an assumption is erroneous. London, it is true, had lent to Germany, in respect of acceptance credits and cash deposits, a net amount of about £70,000,000, of which only about £10,000,000 represented net cash deposits: it can hardly be maintained that such a cash sum represented a lock-up so serious as to be a dominating influence in the crisis. As regards the larger figure of acceptance credits, it must be remembered that this is a business that London has done with Germany for generations: an earlier or sudden withdrawal of these facilities would have been accompanied by simultaneous withdrawal of all similar American credits, and thus would have precipitated the German crisis. It may be of course, in the view of the critics, that the disturbed state of the world and the existence of dangers now, which have not been present in this business for many decades, make it unwise in future for London, or indeed any other centre, to give to countries needing it the credit which in the past has been so invaluable for the world's development. Be this as it may, the City has been carrying out functions for which it has been specially famous; these functions for many years have been of the greatest value to London's debtors, who are, be it remembered, not only her debtors but also the best and largest customers of Great Britain. If disaster befalls the Germans, unemployment in Great Britain will be accentuated.

We need not take nearly all the blame to ourselves, for much of it can rightly be laid to other quarters. The accumulation of colossal gold hoards by the United States and France, and the failure or inability of these two countries to set in motion forces that would check and reverse the flow of gold towards them is a major cause of the world crisis, and the rapid growth of unemployment in the United States, and the certain prospect of a falling revenue in France, proves with dogmatic finality that the complex fabric of modern life involves a close international interdependence. The real lesson to be learned to-day is that there is immediate need for the close and active co-operation of the Great Powers and their central banks, and with it comes the lesson that all world questions,

such as reparations, war-debts, tariffs and gold, and monetary policy, have been shifted by the events of the past three months on to a totally different basis, and must, as a question of *fact* and not of *argument*, be considered *de novo*.

To us in England, one man stands out to-day. By his invincible tenacity in his guardianship of the public purse since the crisis supervened, by his double grasp of leading principle and intricate detail, and by his high-hearted insistence upon determined ends, Mr. Snowden has shown himself a doer, vigorous and uncompromising where essentials are in jeopardy, open and cogent in argument, with a true statesman's eye to the demand of the instant. In his broadcast addresses he has told the truth to the British people and, more than that, has convinced them that it is the truth. To him more than any other Englishman is due the fact that in what appears to be our most desperate hour, our name stands higher than it has done in many a fair-weather year.

*** *It is proposed to publish from time to time in Lloyds Bank Monthly Review signed articles by economists of standing, affording opportunities to exponents of different theories to state their case. The Bank is not necessarily in agreement with the views expressed in such signed articles.*

The Reparations Problem

By Norman Crump

THE reparations problem began with the Treaty of Versailles, which was conceived in a war atmosphere and by politicians and war-time experts as opposed to the permanent and professional diplomatic service. As a consequence, while some attempt was made in the Treaty to correlate the amounts demanded from Germany with her " capacity to pay," few, with the notable exceptions of Mr. Keynes and Mr. Robert Brand, realised the true meaning of that theory, and as a result the initial demands upon Germany ran far beyond her power to meet them. The mercurial dilettantism and scamped negotiation which led to the Treaty of Versailles and other agreements signed at that period now appear in marked contrast to the remarkable clemency and good sense with which, under the experienced guidance of Lord Castlereagh, victory was used after the Napoleonic Wars.

That settlement gave Europe prolonged peace, for Castlereagh and Wellington were both "good Europeans," with the unflinching eye and the open mind.

There followed upon the Treaty of Versailles the unhappy history of the Ruhr occupation and inflation period. The Dawes Committee in 1924 was the first to make the world understand the theory and practice of reparations, as outlined on a subsequent page, and also the practical meaning of " capacity to pay " ; and the Young Committee, five years later, revised theory and practice in the light of the intervening experience. Meanwhile the war-time allies had gradually been agreeing upon the scale of war-debt payments due between themselves. The earliest was the Anglo-American settlement in 1923, and once the gold standard had been generally re-established during the years 1925 onwards, other settlements proceeded apace. By 1930 the whole framework of inter-allied debt payments was complete, even down to the organization of a reparations and war-debt clearing system through the medium of the Bank for International Settlements. It is advisable to emphasize the word " framework," for while the Dawes scheme was based on Germany's " capacity to pay," the Young plan was also devised to fit in with the general schedule of war-debt payments, including the generous principle laid down by Great Britain in the famous Balfour note that she would not demand from Germany and her allies more than the amount she had to pay America. The scale of the Young plan payments was to some extent fixed by the scale of war-debt payments, and compared with the Dawes scheme the Young plan had the serious defect of rigidity, only partly mitigated by the fact that the transfer of part of the annuities, known as the conditional portion, could, under certain circumstances, be postponed. In particular, the Dawes scheme permitted the revision of reparations annuities if and when there was a serious change in the purchasing power of gold. This provision is omitted from the Young plan, and while in practice it might not have been possible to adjust the annuities quickly enough to correspond to the rapid fall in prices during the past two years, the existence of such a " corrector " might have mitigated the present crisis.

As the Dawes report made clear, the payment of reparations must be considered from two different, though allied, angles.

(*a*) The internal *collection* of reparations in German marks.

(*b*) The *transfer* of the proceeds from marks into the money of the recipient nations.

The collection of reparations is a matter of budgets and it is convenient to begin with the actual figures :—

Ordinary Budget Estimates of the Reich, 1930 and 1931

REVENUE
(In millions of Rm.)

	1930.	1931.	Inc.	Dec.
Taxes on property and transport	6,771	5,667		1,104
Customs and taxes on consumption... ...	3,495	3,299		195
Share in the net profits of the Reichsbank ...	40	25		15
Dividend on the preference shares of the German Railway Company	51	29		22
Advanced from the Extraordinary Budget out of proceeds of the sale of preference shares of the German Railway Company ...	150	150		
Postal service and printing office of the Reich	149	244	95	
Reparations tax of the German Railway Company	660	660		
Other (administrative) revenue	243	215		29
Total	11,559	10,289	(95	1,365)
			−1,270	

EXPENDITURE
(In millions of Rm.)

	1930.	1931.	Inc.	Dec.
I. *War Charges*—				
(*a*) External ...	1,818	1,794		24
(*b*) Internal, including war pensions ...	1,908	1,673		235
II. *Financial and debt charges*—				
(*a*) Debt service	505	481		24
Extraordinary debt amortization	465	420		45
(*b*) Finance and tax administration, not including salaries	94	76		18
III. *Transfers to the States*—				
(*a*) Tax transfers	3,383	2,573		810
(*b*) Contribution to Police costs of the States ...	195	190		5
IV. *Social expenditure*				
(*a*) Unemployment relief	730	845	115	
(*b*) Old age and disablement and miners' insurance	543	486		57
(*c*) Relief for persons with small fixed incomes ...	35	35		
V. *Expenditure on personnel*—				
(*a*) Salaries, &c., including defence force ...	853	741		112
(*b*) Pensions, including defence force	183	170		13
VI. Defence force, not including pay	424	424		
VII. Transport system not including pay	137	123		14
VIII. For all other administrative departments (supreme organs of the Reich, foreign affairs, internal administration, housing, education, relief and pensions offices, administration of justice) ...	286	258		28
Total	11,559	10,289	115	1,385
			−1,270	

Judged arithmetically, reparations—which figure in the budget as " War charges, (*a*) external "—are not an unduly heavy item. They amounted only to 15·7 per cent of Germany's total expenditure in 1930. Reparations, together with Germany's internal debt charges, amounted in that same year to only Mks. 2,788,000,000, equivalent to 24 per cent of her total expenditure. Both absolutely and relatively this figure is less than the corresponding debt burden thrust by the war upon the British tax-payer.

The fact is that currency inflation and revaluation have enabled Germany largely to rid herself of her burden of internal debt, and this must be set against her special burden of reparations. Again, the size of Germany's budget and the oppressive weight of her taxation arose in part at least from her system of administration, under which the Reich collects the revenue, while expenditure is in the hands of three systems of Government, namely, the Reich, the States and the Communes. Experience showed that this procedure lends itself to lack of control over expenditure, and so to extravagance, and within the last month these abuses have been rectified. Finally, there is a certain inconsistency between simultaneous complaints of the burden of taxation and the launching of a new naval programme.

On the other hand, it must be remembered that the German Government has few rich tax-payers upon which it can draw. War and inflation between them have largely destroyed the class, which without being rich was in pre-war days " comfortably off," and to-day incomes of £2,000 a year or more are relatively exceptional. The *rentier* class, whether rich or poor, has also largely disappeared, and Germany is thus deprived of what is to us in England one of our principal sources of taxation. All this means that direct taxation is both heavier in its incidence and also a less fruitful source of revenue. Income tax reaches down to smaller incomes than in England, and reliefs are given on a far less generous scale. The relief for a wife, for example, is only £40 against £50 in England. To quote a concrete example brought to my notice, a friend of mine with a wife and large family told me he paid £200 on an earned income of £1,000 in Germany. In England to-day he would pay only £78. Even if he were a bachelor he would, in England, only pay £153.

Like other countries, Germany has seen her budget undermined in recent years by falling prices, depressed trade, and the consequent contraction in the national income. To buttress it up, the German Government has had to resort to fresh taxation, economies and wage reductions of an even more drastic character than those recently imposed on this country. In these circumstances, even though arithmetically reparations are not a serious item in the German budget, it is natural that the tax-payer should fasten upon them as the real cause of his heavy burden.

The transfer of reparations is a matter of foreign exchange, the theory of which can be found in any reputable text book. In sum, a nation's purchases of foreign currencies, *for whatever purpose*, must be balanced by foreign purchases of its own currency; or else it will lose gold. It is useful to set out a brief statement of account, outlining the various objects with which foreign exchange dealings take place between Germany and the rest of the world.

Dr.	*Cr.*
Foreign currencies are bought to finance :—	The home currency is bought by foreigners to finance :—
(1) Imports of goods and services.	(1) Exports of German goods and services.
(2) Interest payments upon foreign capital invested in the country.	(2) Interest receipts upon German capital invested abroad.
(3) Loans made to foreigners (and foreign securities bought).	(3) Repayment of loans made to foreigners (and foreign securities re-sold).
(4) Repayments of debts due to foreigners (and home securities repurchased).	(4) Loans made by foreigners (and German securities bought by foreigners).
(5) Reparations.	

If reparations are to be paid without the immediate and current loss of gold, all the items numbered (1) to (4) on each side of this account must yield a credit balance equivalent to the running total of reparations. If they are to be paid without the accumulation of indebtedness to foreign nations, the necessary surplus must be derived solely from a margin between items (1) and (2) on each side of the accounts.

Now how has this worked out arithmetically in practice? The answer is found in the following table, giving (in milliards of marks) Germany's external balance of payments over recent years. The numbers in brackets after each item relate this table to the previous theoretical statement of account. (+) represents a credit, as above, and (−) a debit.

Estimate of Germany's Balance of Payments

(In milliards of Reichsmarks.)

	1924.	1925.	1926.	1927.	1928.	1929.	1930.
Reparations Payments (5)	−0·3	−1·0	−1·2	−1·6	−2·0	−2·5	−1·7
Surplus (+) or deficit (−) of exports over imports of goods and services (1)	−1·5	−2·0	+1·3	−2·5	−0·8	+0·5	+1·7
Interest (2)	+0·2	—	−0·2	−0·3	−0·6	−0·8	−0·8
Net margin yielded by (1) and (2)	−1·3	−2·0	+1·1	−2·8	−1·4	−0·3	+0·9
Balance derived by offsetting (5) against (1) and (2)	−1·6	−3·0	−0·1	−4·4	−3·4	−2·8	−0·8
Long-term loans and credits to Germany (4)	+1·0	+1·1	+1·4	+1·7	+1·7	+0·6	+1·6
Short-term loans and credits to Germany (4)	+1·5	+0·3	+0·1	+1·8	+1·4	+1·1	—
Other movements of capital (3) and (4) ...	+0·4	+1·7	−0·9	+0·4	+1·2	+1·0	−0·9
Total import of capital (3) and (4)	+2·9	+3·1	+0·6	+3·9	+4·3	+2·7	+0·7
Final balance derived from all items, represented by gold and foreign exchange gains (+) or losses (−)	+1·3	+0·1	+0·5	−0·5	+0·9	−0·1	−0·1

The table shows that the second condition, namely, the financing of reparations and foreign interest payments out of a current export surplus of goods and services has never been fulfilled—not even in 1930, when the export surplus was commensurate with reparations. This last point should be emphasized, as there has been a tendency to deduce from this correspondence a theory that at last Germany had built up an export trade sufficient to support the burden of reparations.

The accumulated deficit on "current account" for these seven years is the prodigious sum of 16·1 milliards of marks

(£800,000,000), and this represents Germany's potential gold losses up to the end of 1930, of which it is arguable that her actual losses to date are a first instalment.

The first condition, namely, that there should be a balance if and when capital movements are taken into account—thereby avoiding an immediate and running loss of gold—has on the whole been fulfilled, though the deficits of 1927, and still more of 1929 and 1930, gave warning of the dangers of the situation. Omitting "other movements of capital," a figure subject to wide margins of estimate and error, Germany has achieved this balance by borrowing during these seven years 9·1 milliards of marks (£450,000,000) on long-term, and 6·2 milliards (£310,000,000) on short-term.

It is generally agreed that the recent monetary crisis was due to the sudden withdrawal of much of this short-term money advanced by foreign banks and other financial interests; and arising out of this fact there is a disposition to blame German financial interests for having over-borrowed during previous years, and certain financial houses outside Germany for having over-lent to Germany on an imprudent scale. Still, had not Germany borrowed these 6·2 milliards of marks at short-term, she would, had the rest of the items in the table remained unchanged by the end of 1930, have accumulated a final debit balance of 4·1 milliards of marks (£205,000,000). As at the end of 1930 the total gold and gold exchange holdings of the Reichsbank were only 2·8 milliards of marks (£140,000,000), it appears that had she not borrowed on short-term from the world on the scale she did, the breaking-point would have come not in 1931 but several years earlier. Her short-term borrowing has, in fact—and apart altogether from the merits of such borrowing—retarded and not brought about the present crisis.

Still, granted that borrowing was an absolute necessity, if an unsound situation was not to develop, it was essential that the money so borrowed should be used for productive purposes, in making addition to the real wealth of the country, and above all in increasing her power to export goods and services, so as to enable her not only to finance the interest due on these loans but also to close—if that were possible—the gap in her balance of payments which made the original borrowing necessary.

To some extent this was done. The banks concerned themselves largely with financing export trade, so much so that,

taking the combined balance-sheets of six leading German banks at the end of April, the item "Acceptance credits granted by foreign banks and drawn against by customers" was Mks. 1,791,000,000, against customers' deposits of only Mks. 8,891,000,000. Even granted that not all these credits were used in financing export trade, the relative size of this item is indicative.

The same concentration upon export trade existed in industrial circles, where there was a general feeling that Germany had to build up an export surplus and establish herself in world markets, whatever the inconvenience to other nations and the drain upon her own production. Foreign funds were freely used to enable German industrialists to re-condition and extend their works and to replenish the supplies of working capital destroyed by the inflation. To the extent already specified, borrowing from abroad performed a useful function, not only in enabling Germany to meet her immediate claims without gold losses or a monetary breakdown, but also in increasing her productivity.

On the other hand, much of this capital was used unproductively, and there are numerous cases of notorious municipal extravagance paid for out of loans raised abroad, so much so that a few years ago such items as the building of new swimming baths had become almost a world-wide scandal. Ample allusion to this will be found in the last report of the late Agent-General for Reparation Payments. One telling passage states that "the true explanation (of the post-war growth of communal floating debt) is that for some years past the communes have lived largely beyond their incomes, and have fallen back more on short-term and intermediate credits to finance capital expenditure and public works which should never have been undertaken unless first assured of proper financing at long-term." In many cases this quotation would have been more apposite if the last nine words had been omitted.

The banks, too, probably went too far in their acceptance of foreign deposits, and in the way they employed them. What they really did was to take foreign deposits at high rates of interest and re-invest them in foreign liquid assets acquired at lower rates. This policy, though involving them in a loss of income, enabled them to lock up their home deposits in advances to home industry, and at the same time to preserve

the appearance of an appropriate degree of liquidity in their balance-sheets as a whole. Recent events have illustrated the dangers and fallacies of carrying out banking business along this particular cross-section.

While this flagrant abuse of foreign capital did not in the short-run affect Germany's balance of payments, it did have two fatal long-run effects. It impaired foreign confidence in Germany's wisdom and stability; and it meant that the external liability of the country grew faster than its productive capacity, which was its only way of meeting that liability. To that extent it has added its quota to the causes of the crisis.

It remains to consider the effect all this has had upon the temper of the German people. It is difficult to form accurate impressions from a brief stay in a single city, but if I had to give one I should say that in June of this year, on the surface the people were living their normal lives, but that the moment one got beneath the surface one found a state of nervous strain. Bankers were a shade too eager to prove to me that the banking system was still solvent. Friends with whom I talked betrayed just that air of uncertainty and anxiety as to the future that one finds in a man keyed up nearly to the limits of his endurance. Business men and Government officials gave me the impression that the country was bearing a burden that was too heavy to be carried more than a short distance.

As to the intensity of poverty in Germany, that is a question upon which world opinion greatly differs, the French view in particular being that Germany is giving the world a false impression of poverty with the deliberate object of gaining relief from her reparations liabilities. My own observations during a few weeks were that if one looked carefully there was definite evidence of poverty. Passers-by in the Berlin streets were cheaply dressed, and in some faces one could detect signs of under-feeding. As one entered Berlin by train along the high embankments, the backs of many of the flats and houses were patently in need of redecoration and even of repairs; and this fact gains in significance when the traditional pride of the average German in his dwelling is remembered. I heard that students attending university classes bore the mark of almost complete destitution both in their dress and physique; and to appreciate this fact it must be realized that unemployed "black-coated" workers are, by Government arrangement, able to

attend such classes free of any charge. There were far fewer cars to be seen in Berlin than in London. This may reflect differences in the German and British styles of living, but it also suggests that a lower standard of living exists in middle-class Germany. Finally, I heard at second-hand that German agriculture was sharing to the full in the world depression, and that whole areas in Prussia were going out of cultivation. This last experience, of course, is by no means peculiar to Germany.

Beneath the surface there is a straitening of circumstances turning in many cases into actual poverty. I have already alluded to the disappearance of the middle class. As regards the working classes, wages, though below the English scale, probably do not differ by a margin sufficient to call for overmuch comment, but unemployment pay is roughly equivalent to about two-thirds the British scale, and after a fixed period full insurance benefit is replaced first by crisis relief and finally by poor relief. The fact is that apart from the heavy unemployment prevalent even before the crisis, the nation as a whole appeared to be driven by circumstances to the limits of its powers of endurance and to have become aware of the fact. Nearly a year ago the results of the September elections bore testimony to that. On my visit I was continually hearing that Germany, especially the new generation, had nothing to look forward to and that she was denied her fair chance of contributing to the world's progress in the broadest sense of the word. Boys fresh from school or college, in whatever walk of life, know that, with trade as it is to-day, the odds are against their finding a job, and from this it is an easy transition for the younger generation to come to believe that the present economic and social system has let them down, and that it is time they sought for a better one. It is true that I detected no widespread active hostility against reparations. The German attitude, if there is one, is best expressed in a fairly recent utterance of a " Nazi " leader : " Bread first, tribute next." It is not that all Germans deliberately wish to repudiate their bond, though some certainly do, but that they are convinced of the impossibility of fulfilling it.

Hence the economic difficulties of Germany had, even before the crisis, had serious repercussions in the political field. Among the ordinary working classes and even in the universities I heard of whole groups of people drifting over to Communism.

Some would argue seriously that " no change could be for the worse," and others would point to the alleged progress being made by Russia, almost next-door, under the five-years plan, contrasting it with the deterioration of Germany, and, indeed, of almost all " capitalist " nations and ignoring the fact that Russia's progress had started from the nadir of poverty and discomfort. Last June there appeared to be serious danger lest either this year or next year Germany would find herself under a Communist Government. The fact that no serious trouble occurred during July and August rather discounts this fear, but there is no doubt of its existence among thinking Germans at the time.

* * * *

It is not my purpose to write a detailed history of the crisis but rather to deal with the significance and implications of its various stages. It began with a loss of confidence by foreign bankers who had lent money at short-term to Germany. The English view was that the immediate cause of this distrust was the shock given to the financial world by the Austrian banking troubles of May, but the French held that in order to create a favourable atmosphere for the Chequers conversations of early June the Germans protested too loudly their inability to meet their reparations liabilities, and that this virtual confession of poverty was the immediate cause of the huge withdrawals of money from Germany which brought about the crisis. Probably there is some justification for both theories, though the cause also lies in the unsettled atmosphere due to the world trade depression and also in the unsound debtor position of Germany.

At first the German banks thought they could stand the pressure by realizing their foreign assets and in the last resort by rediscounting at the Reichsbank, which in its turn was believed to be able to stand the strain. Inconvenience to the trade of the country was anticipated, but it was confidently believed that a breakdown would be avoided. Events quickly showed that this optimism was unjustified, for by June 19th the Reichsbank was faced with the dilemma of having to restrict credit very severely or to abandon its normal minimum ratio of 40 per cent gold and " *devisen* " to notes in circulation. The adoption of either alternative might have precipitated a political crisis of the character already foreshadowed.

At this juncture came Mr. Hoover's moratorium proposals, while a day or two later the first rediscount credit of $100,000,000 was granted to the Reichsbank by foreign central banks, acting through the Bank for International Settlements. For the moment the situation was saved, and breathing-space afforded. Had the Hoover declaration been immediately and unreservedly adopted by all concerned the crisis might there and then have been brought to an end.

This, however, was not to be. There were too many points of view to be reconciled for the Hoover declaration ever to have won immediate acceptance. The French attitude can be explained very briefly, for it is quite definite and to the point. Fundamentally it arose from the traditional mistrust of Germany stretching back through very long periods of intermittent hostility. Last July France did not believe that Germany was on the verge of economic and political collapse. Her difficulties were ascribed first to her reckless foreign borrowings, and next to her protestations of poverty at the time of the Chequers Conference. Her remedy was held to be, not a series of frantic appeals for more foreign money or for relief from her just obligations, but the stern practice of rigid financial probity and economy such as had enabled France to escape from her own monetary troubles of five years before. So long as Germany confessed to imminent bankruptcy and was not prepared to help herself, she could not wonder if foreign and German capital alike fled beyond her boundaries. In any case, so it was argued, her export surplus showed reparations not to be an intolerable burden, and it was unreasonable to ask for the Young plan to be abrogated the day after it was signed.

Other, though allied, points were made by M. Frédéric Jenny in a moderately worded analysis of the Basle report that appeared in *Le Temps* of August 24th. These were that the Young plan was definitely based upon Germany's capacity to pay, and that its acceptance meant heavy sacrifices for France; that after allowing for France's own and for the expenses of the army of occupation, France has only received to date a net sum of Mks. 4,384,000,000 (£214,000,000), whereas a German note itself admits France's war damage to amount to Mks. 16,700,000,000 (£817,000,000), or Fcs. 102 milliards; that the true total of France's war damage is, including accrued interest, Fcs. 250 milliards (£2,000,000,000); and that France's

net share of the Young annuities, after meeting her own liabilities, is only equivalent to a capital sum of Fcs. 60 milliards (£483,000,000), which falls short even of the German estimate of her war damage.

Again, France has fair reason to complain of the provocative character of certain recent actions of Germany. Whether or not a customs union with Austria was desirable—and there is no evidence that it would be of real benefit to Germany—it was a mistake to announce it to the rest of the world as a *fait accompli*, when it was known to be distasteful to certain other powers, and when there was grave doubt, since confirmed by a majority decision of the Hague Court, of Austria's treaty engagements entitling her to take such a step. Again, the construction of the first "pocket battleship" was a provocative act, and the decision to christen the second one "Alsace-Lorraine" was doubly so. The German Government may explain that these were sops thrown to the right, or even a price whose payment was necessary to its continued existence, but France can hardly be expected to make allowances for German political exigencies or to accept such an explanation. German statesmen in their methods had shown a singular lack of what Cavour once called "*Le tact des choses possibles*" in foreign relations.

The events of July and August, including the German banking crisis, made clear one fundamental fact. This was that Germany's troubles were both financial and political, the two aspects being inextricably intermingled. This is why neither the Bank for International Settlements' July board meeting at Basle, nor the London Conference of Ministers could arrive at a complete and final solution, but had—apart from immediate *ad hoc* recommendations—to throw the question back from one to the other. So far the latest pronouncement is that of the Committee of central bank representatives set up by the B.I.S. at the request of the London Conference, together with the "stand-still" agreement between German and foreign bankers, and the experts' agreements on the details of the Hoover moratorium.

These three agreements, in effect, defined Germany's position as it existed in the middle of September. On the question of reparations she has a moratorium until next July, while as regards her short-term indebtedness for foreign bankers she was then granted a respite for six months, subject

to certain minor qualifications. The Basle Committee, including representatives from France, England and the United States, after reviewing and rejecting other possibilities, have placed it upon record that Germany needs a long-term loan, and that this calls into question the political relations between Germany and other countries and the future of her external obligations. The announcement of these agreements coincided with the gradual emergence of more normal conditions in Germany, but the German banking system still has to be buttressed up by official aid, so much so as to place one half of the banks virtually under Government ownership and control. The " stand-still " arrangements for the maintenance of foreign credits are now in force. It is hardly an exaggeration to say that, even apart from any reactions of the suspension of the gold standard in England, German economic life is for the moment being supported in splints.

It remains to summarize the situation as it stood in the middle of September, and to suggest practical steps that might usefully be taken. The rapid development of the world crisis, however, necessitates the reservation that fundamental changes in the situation may have occurred by the time this article is published.

(1) Germany has made serious mistakes, both in the financial and political spheres, but to-day there is nothing to be gained by criticizing her. The fundamental point is that if the statistics of her external balance of payments are to be trusted, without foreign borrowing the breakdown would have occurred several years ago.

Germany also complains that the spirit of the Young plan has not been fully carried out. The Young Committee envisaged the linking-up of reparations payments with the development by Germany of certain of the backward areas of the world. German contractors would have carried out this work at the expense of the German Government, and the proceeds would have accrued to her creditors on reparations account in part settlement of her claims. Thus the transfer of reparations payments would have been facilitated, and the strain upon the German foreign exchange market lessened. This aspect of the Young plan has not been followed up, and it is claimed that this failure has been detrimental to Germany's financial position.

(2) The French point of view is not unreasonable and must not be ignored. The traditional political fear of Germany cannot be overcome at once, at least without some striking gesture from Germany herself. France honestly believes that reparations are not an intolerable burden, and Germany has not done all she could to dispel that belief. A reparations moratorium or cancellation would make a serious breach in the French budget, and in view of the origins of the war and France's heavy war losses, which have helped to inflate her budget, it is unreasonable to expect her to ignore that fact.

Proceeding now to more practical considerations :—

(1) The Dawes scheme contained a " gold clause " whereby the reparations annuities were open to appropriate amendment if and when there was a change of more than 10 per cent in the world purchasing power of gold. This clause was omitted from the Young plan, probably because the Young annuities were correlated with the war debt annuities previously agreed upon between the allies. Thus it is fair to trace this omission back to those responsible for the earliest debt agreement, namely, that between ourselves and the United States.

Whatever its origin, the omission of this clause and the catastrophic fall of prices during the past two years between them destroyed the whole basis of the Young annuities, and have imposed upon Germany a far greater burden than the Young Committee ever contemplated. To-day it is easy to see that it was vain ever to attempt to fasten upon the world a complicated system of international payments fixed rigidly over the span of two generations, and that the authors of the Versailles Treaty failed to appreciate that the complex fabric of modern life involves a close international interdependence. It is essential that this knowledge should be brought home to the world, and granted that breakdown had to come—always provided that it does not lead to a complete world collapse—it is just as well that it should have come at so early a date.

(2) The events of the past few months, culminating in the suspension of the gold standard in Great Britain, with its possible reactions abroad, in any case strike at the root of the reparations and war debt agreements. To-day the question is rapidly becoming not " Ought these payments to be

continued?" but "Can they be continued?" Prompt recognition of this second alternative may save both Germany and the world at large from years of ill-feeling and uncertainty.

The real problem is to gain acceptance of these facts in France and the United States. America is the easier problem of the two. She is nearly ready to-day, and a successful outcome to the approaching disarmament conference would probably bring her round completely. French acceptance is not so easy to gain, for *prima fâcie* she stands to lose all and gain nothing. Still, France is not immune from the consequences of these big international movements of funds, for they are a potent cause of her steady accumulation of gold. Nor can she remain unaffected by a general suspension of the gold standard elsewhere, and apart from this it is fair to remind her that it is not always good business to stand upon her just rights, and that inflation at home, financial breakdown abroad, and internal political disorders on her eastern frontier are a poor price to pay for the enforcement of her rights to the last extremity of her debtor.

As a basis of discussion, it is conceivable that even in her present circumstances Germany might, at the end of the Hoover moratorium, be able to pay the "unconditional" Young annuities of Mks. 660,000,000, which represent payment of war damages to France. This postulates that there shall be a general revision of war debt payments, which are the counterpart of the "conditional" Young annuities. This in turn postulates that Europe shall agree to a general measure of disarmament, for only on these terms is United States consent to debt revision likely to be obtainable.

Still, all nations must recognize that the economic *malaise* from which the earth is suffering has been accentuated by war debts and reparations and by tariff barriers which have not a few points of resemblance to the old mercantile theory of trade, which Lecky tells us so greatly embittered international relations. The shortest way to regain prosperity for all lies through the cancelling of war debts and reparations, a general lowering of tariffs so as to give free scope to trade the world over, definite progress in the limitation of armaments, and finally a comprehensive understanding, both political and economic, between France and Germany.

Balancing the Budget

THE National Government has met Parliament and Mr. Snowden has opened his budget. The task he had to perform can be defined very simply, though it was one of supreme importance. Last April Mr. Snowden produced a budget which balanced with expenditure of £751·3 millions, and sinking fund appropriation of £52·0 millions, to be met out of estimated revenue of £803·5 millions. This budget, though nominally balancing, possessed several grave defects, some of which have arisen since its presentation. It was the eradication of these defects, the abolition of unsound and questionable methods of technique, and the balancing of the whole of our current revenue and expenditure that comprised Mr. Snowden's task.

The principal defects of the budget of last April were as follows :—

(*a*) It took no account of certain current expenditure, which was being wrongly charged to capital or loan account. This included for the current year, £25·0 millions for the deficit on the Unemployment Insurance Fund and £9·0 millions in respect of Road Fund expenditure : or a total of £34·0 millions.

(*b*) It took no account of the decline in revenue, due to trade depression, that has since become apparent. This is estimated for the current year at £29·0 millions.

(*c*) The suspension of war debt and reparations payments under the Hoover moratorium has made the following changes in the original estimates :—

Revenue	£ *mill.*	Expenditure	£ *mill.*
Suspension of reparations and war debt payments to this country... ...	30·3	Suspension of war debt interest payments by this country (charged against ordinary expenditure) ...	13·5
		Suspension of war debt capital payments by this country (charged against the sinking fund)...	5·75
	30·3		19·25

Thus we lose £30·3 millions of revenue, and are relieved of £19·25 millions of expenditure; or a net loss of £11·05 millions. From another aspect the sinking fund is relieved of a charge of £5·75 millions.

(*d*) The budget included £37·0 millions of non-recurrent revenue which will not be available next year. This was taken in anticipation of a trade revival and an expansion in revenue. It is now admitted that so far from these hopes being justified, there would have been on the late basis of taxation a decrease of revenue next year of £46·0 millions. Adding to this the non-recurrent revenue of £37·0 millions, the Chancellor found himself faced next April with a revenue short-fall of £83·0 millions for the year 1932-33.

These figures make it possible to present two accounts, one for 1931–32, and the other for 1932–33. Both assume that all current expenditure is brought into the budget, and both are struck before making economies or levying fresh taxation.

1931–32 BUDGET

	£ *mill.*
ACTUAL REVENUE	
(*a*) Original estimate	803·5
(*b*) Deduct short-fall of tax revenue	29·0
(*c*) Deduct suspension of war debt receipts	30·3
Final result	744·2
ACTUAL EXPENDITURE	
(*a*) Original ordinary expenditure (including sinking fund)	803·3
(*b*) Supplementary estimates	0·8
(*c*) Add unemployment insurance deficit and road fund charges ...	34·0
	838·1
(*d*) Deduct suspension of war debt payments	19·3
Final result	818·8
Final deficit	74·6

1932–33 BUDGET

	£ *mill.*
REVENUE	
(*a*) 1931–32 original estimate	803·5
(*b*) Deduct disappearance of non-recurrent revenue	37·0
(*c*) Deduct short-fall of tax revenue	46·0
Probable revenue	720·5
EXPENDITURE	
(*a*) 1931–32 original estimate	803·3
(*b*) Add increased cost of transitional benefit	10·0
(*c*) Add unemployment insurance deficit	60·0
(*d*) Add road fund charges	10·0
(*e*) Add other anticipated expenditure	7·0
Probable expenditure	890·3
Probable deficit	169·8

This year's deficit of £74·6 millions and next year's deficit of £169·8 millions absorb and replace the May Report's anticipated deficit of £120 millions which so shocked the world two months ago. It was the realization of the existence

of these deficits at home and abroad which so alarmed opinion as to promote a withdrawal of funds from London to an extent which imperilled the stability of the pound. It was this threat to our currency's stability and purchasing power which has brought the present Government into existence : and as already stated it is the bridging of these deficits which was the first and most urgent task which the Government, through its Chancellor, has had to perform. Even though the performance of these tasks failed to avert the suspension of the gold standard, there is little doubt that had the budget remained unbalanced the depreciation of the pound would have been far more serious than seems likely to-day.

This new budget directly concerns only this year's minor deficit of £74·6 millions, but it has rightly been framed in such a way as to deal with next year's major deficit as well. Such large gaps could only be bridged by a combination of economy and new taxation, and Mr. Snowden's use of these weapons are set out very succinctly in the following table :—

	1931–32	1932–33
	£ mill.	*£ mill.*
Present deficit	74·6	170·0
Economies	22·0	70·0
Savings on debt amortization	13·7	20·0
New taxation—		
(*a*) Direct	29·0	57·5
(*b*) Indirect	11·5	24·0
Final estimated surplus	1·5	1·5

Economies

The Government has followed fairly closely the May Report, though it is noticeable that its proposals fall short of the May Committee's recommendations. While the May Report was in no way a sacrosanct document, and while the Government have obviously adopted many of its recommendations *en bloc* and others in principle, it is regrettable that, at a time when the nation was already heavily taxed, they could not follow the Report more closely or even go beyond it. It is true that even the modified reductions accepted by the Government in respect of unemployment benefit and teachers' salaries will bear hardly upon those concerned. It is also true that the May Committee rejected any reduction in Civil Service salaries partly on the ground that they had already been heavily cut in

sympathy with the fall in the cost of living, and partly because the average pay of the Civil Service was not unduly high compared with what may be termed a "fair wages basis." It is equally true that similar conclusions were reached by the Royal Commission on the Civil Service.

In normal circumstances there would be no possible reply to such arguments, and even to-day considerable sympathy must be felt for them. To-day, however, circumstances are not normal. "*Das Beste ist Feind des Guten.*" Economies are a vital necessity if a heavy depreciation of the pound is to be avoided and the immediate victims of economy would suffer far more from a currency collapse than they are being asked to sacrifice to-day. That is the real point at issue, and that is why it is to be hoped that in their search for possible economies the Government will not feel limited by the recommendations of the May Report. It is disappointing to see small evidence of an intention to cut out some departments and to co-ordinate others, especially as the impression is widespread that the Civil Service is a swollen organization, which promotes circumlocution and detail, which is always costly. It must be added that these comments are made in a spirit of helpfulness and not of criticism.

The actual economies proposed by the Government, together with the corresponding recommendations of the May Committee, are given below :—

SUMMARY OF SAVINGS (FULL YEAR)

	Government Proposals	Economy Report's Recommendations
	£ thousand	*£ thousand*
Pay and salaries	4,534	3,281
Defence services (excluding pay and pension reduction)	5,000	979
Education	10,300	13,600
University grants	150	250
Health services	1,250	1,000
Police	500	925
Agriculture...	655	575
Forestry	478	478
Empire marketing board	250	400
Colonial development fund	250	250
Unemployment grants	500	not specified
Unemployment insurance	35,800	66,500
Road fund	7,865	7,865
Miscellaneous	2,500	475
Total	70,032	96,578

Education.—The Economy Report recommended a 20 per cent reduction in teachers' salaries. The Government have adopted a reduction of 15 per cent, since modified to 10 per cent. The same concession was made in respect of the pay of the police and defence services, and this will modify some of the figures in the table.

Unemployment Insurance.—The Government have adopted most of the Economy Report's recommendations. The main difference is that benefits are only to be cut by 10 per cent, and not by 20 per cent as the report recommended. The proposed benefits agree closely with the scale contained in the interim report of the Unemployment Insurance Commission, but are a little higher.

Debt Amortization.—The Government have decided to reduce the sinking fund approximately to the amount required to provide for the statutory redemption of specific loans. This operation is facilitated by the relief to the sinking fund afforded by the suspension of war-debt payments already described. In case anyone is inclined to regard this decision as a sign of financial weakness, it must be emphasized that the balancing of the budget makes this a real and effective sinking fund, whereas the larger sinking funds of recent years have been to some extent rendered spurious by borrowings for the Unemployment Insurance Fund. This knowledge should suffice to reassure any doubts that might otherwise have been felt.

New Taxation.—Indirect taxation includes increases in the duties on beer, tobacco, petrol and entertainments. These are all well-tried revenue producers, and between them ensure that all classes will contribute their quota to the nation's needs.

Increases in direct taxation are set out below :—

(1) It is proposed to increase the standard rate of income tax from 4s. 6d. to 5s. in the £ for the year 1931–32.

(2) It is proposed to increase the allowance in respect of earned income from one-sixth of the income with a maximum of £250 to one-fifth with a maximum of £300.

(3) It is proposed that the personal allowance for individuals other than married persons should be reduced from £135 to £100.

(4) It is proposed that the personal allowance for married persons should be reduced from £225 to £150.

(5) It is proposed that the allowances in respect of children should be reduced from £60 to £50 for the first child and from £50 to £40 for each subsequent child.

(6) It is proposed that the taxation of the first £250 of taxable income at 2s. in the pound should be replaced by the taxation of the first £175 at 2s. 6d. in the pound.

(7) It is proposed to increase by 10 per cent the amount of sur-tax payable.

The recent increases in the rates of income tax and of sur-tax are, of course, largely calculated upon assessments made last year and the year before, when incomes were, in the majority of cases, higher than they are now. The new rates are, therefore, more severe even than at first sight appears.

Compensation for the increase in the standard rate is to be given to industry in respect of the taxation of undistributed profits. The means adopted is to increase by 10 per cent the allowance for the wear and tear of plant and machinery. A more liberal view of replacements is also to be taken by the Inland Revenue authorities, so as to encourage the modernization of factories.

The purpose of the income tax revisions (apart from the primary aim of increased revenue) is, firstly, to increase the differentiation between earned and unearned incomes; and secondly, to ensure that the smaller incomes contribute their share.

These are the means adopted by the Government to restore the national finances to solvency. They make heavy demands upon all sections of the community, and it will be tempting for every class to complain that they are treated too hardly while others escape relatively scot free. We are convinced that this is the wrong attitude to adopt to-day, and that instead we should rival each other in our eagerness to render assistance. The Government has begun its work well, but the work which a truly National Government alone can perform is far from completed, for the budget is but one of many spheres in which we must be brought to pay our way. Economy and sound national finance, it is true, is the essential foundation, but these are only the starting-points from which ordered progress can begin. For one thing, there is the question of our adverse trade balance to be considered, a matter which we

propose to discuss next month. No one can lead this progress better than a National Government representing all sections of sound opinion in the country, and for this reason it is to be hoped that such a Government will be able to agree on the proper long-term action to be taken and that political matters will so develop as to render it possible for it to carry its decisions into effect, or, if that is not possible, to go to the country as head of a single party on an agreed programme of broad reconstruction. At last we have a Government which is prepared to govern, and does not, like so many politicians, struggle to dissolve hard facts by soft words.

One word of warning may be added. We do not wish to pre-judge the question of tariffs, but if any form of tariff is decided upon, it is of fundamental importance that four points should be embodied in the relevant legislation:—

(*a*) That in the event of proved profiteering behind certain duties in the tariff, those duties should at once be suspended.

(*b*) That the operation of the tariff be carefully watched for two years, to see if it leads to an inordinate rise in the cost of living, to any increase in unemployment, or to the detriment of our export trades. At the end of that period, the whole policy should be reconsidered, and, if necessary, abandoned or modified in the light of past experience.

(*c*) That in the event of any foreign country or group of countries being prepared to make substantial reductions in their tariffs, even to the point of complete Free Trade, these reductions to extend to British goods, reciprocal reductions, culminating again in complete Free Trade, shall be made in the British tariff on goods coming from those countries, such reduction to take effect automatically without delay or further legislation.

(*d*) That every effort be made to prevent lobbying or undue pressure from special interests. Evidence from trade associations and other similar bodies should be admitted with great circumspection, and not as of right. Equal, and even greater weight, should attach to evidence from consumers.

Notes of the Month

The Money Market.—Prior to the suspension of the gold standard the money market was operating under artificial conditions, for it has since been revealed that during the first three weeks of September sterling had to receive continual support through drafts on the French and American sterling credits. During this period Bank rate stood at $4\frac{1}{2}$ per cent, and the market rate of discount on three months' bills at approximately $4\frac{1}{4}$–$\frac{5}{16}$ per cent, though usually competition drove the rate on "hot" Treasury bills down to a lower level. Money was usually stringent on Mondays, owing to the absence of Treasury bill maturities on that day, but became easier later in the week.

The suspension of the gold standard was announced on Monday, September 21st, and on the same day Bank rate was raised to 6 per cent. The market naturally took some time to adjust itself to these momentous changes, and at first money was very scarce, as many institutions were calling in their funds as a precautionary measure. The Bank gave some relief by special purchases of bills, but a fair number of bills had also to be discounted at the Bank on the market's initiative. Later in the week conditions became easier, and the three months' discount rate settled down at $5\frac{1}{2}$ per cent. The institution of the 6 per cent Bank rate was undoubtedly necessary as a salutary warning that the abandonment of the gold standard must not provide any ground for speculation or credit inflation, but must be regarded as an imperative call to the nation for still sterner efforts towards economy and self-restraint.

The Foreign Exchanges.—The Foreign exchange markets also had to operate under artificial conditions until September 19th, for both the New York and Paris rates were supported by the use of the Treasury credits. Hence the rates then current of \$4·86 and Frs.123·96, though apparently reassuring, possessed no real significance, and a truer index of the pressure upon sterling was given by the Dutch rate (Fl.12·04) and the Swiss rate (Frs.24·90), both of which were below the gold point. From September 16th to 19th, the drain of foreign funds from London was particularly severe, being stimulated by financial difficulties abroad and by alarmist rumours of the British political situation and the trouble in the Atlantic Fleet.

During the first few days after the suspension of the gold standard, such exchange rates as were quoted were mainly nominal, for it was impossible to discern their true basis. Sterling was no longer supported, but was left to find its own level, and by the end of the week it had fallen to $3·86 against New York, to Frs.96 against Paris, to Fl.9·5 against Amsterdam, and to Frs.19·5 against Switzerland. Other currencies, including marks in spite of the weakness of Germany, more or less came into line, with the exception of Denmark which announced the suspension of the gold standard on September 23rd. In view of the rapidity with which the situation is changing, it should be added that this note only carries the review up to September 26th. It is not impossible that other countries will have departed from the gold standard even before the date of publication of this issue of the Review, and later news is to the effect that Sweden and Norway have actually done so. It is equally not impossible that the prevailing financial and banking weakness in other countries, and the unimpaired strength of London will shortly cause the drain of funds from London to be reversed.

The Stock Exchange.—Here, too, the review of the month must be divided into two parts, before and after September 21st. Before that date, extreme weakness prevailed in the majority of markets, and the first Saturday opening of the Stock Exchange on September 19th paradoxically provided the opportunity for the culmination of heavy foreign selling of British Government securities by holders who were anxious to withdraw their capital from London. This naturally caused a heavy fall in prices of gilt-edged stocks.

On September 21st and 22nd the Stock Exchange was closed, though some unofficial dealings took place outside. On its re-opening upon September 23rd, gilt-edged and other fixed interest stocks fell in sympathy with the increase in Bank rate and the depreciation of sterling, which ultimately may mean a fall in the purchasing power of fixed incomes. Simultaneously there sprung up a boom in industrials and other equities, possessing a variable rate of interest. The motives behind this boom were much as follows:—The depreciation of sterling will, it is argued, act as a tariff against imports and will confer a bounty upon exports, to the double benefit of home industry. International securities dealt in in

New York and other gold standard centres ought also to have their sterling prices raised to correspond with the depreciation of the pound. It is advisable to give the warning that such arguments can easily be pressed too far. If and when British internal prices and costs adjust themselves to the external depreciation of the pound, both "tariff" and "bounty" effect will disappear; and in the first week of the suspension of the gold standard, British wholesale prices rose by nearly 3 per cent. The world financial and commercial outlook has been rendered immeasurably more difficult and obscure by the events of September 21st, and if world trade suffers, it is difficult to see how British trade can gain more than a fleeting benefit. There is more urgent need than ever for circumspection and self-control and rigid economy, and those who have lately given so exuberant a welcome to the suspension of the gold standard are seriously misleading the nation. On these grounds the decision of the Stock Exchange Committee, announced late on September 25th, that future bargains must be for cash is to be welcomed on the ground that it will restrict speculative operations.

Overseas Trade.—The returns for the first eight months of this year, summarized below, in reality reflect our position up to the abandonment of the gold standard. The picture they present is most depressing, and August was in many respects the worst month of all. For good or for evil, their interest is now mainly historic.

Description.	Jan.-Aug., 1930.	Jan.-Aug., 1931.	Increase (+) or Decrease (−)
Total Imports	706·6	553·1	−153·5
Retained Imports	644·3	508·6	−135·7
Raw Material, Imports	179·1	116·4	− 62·7
Total Exports, British Goods	398·4	262·5	−135·9
Coal Exports	31·1	22·6	− 8·5
British Manufactured Goods, Exports..	311·4	198·8	−112·6
Re-Exports	62·3	44·5	− 17·8
Total Exports	460·7	307·0	−153·7
Visible Trade Balance	−245·9	−246·1	− 0·2

As regards the future, it is natural to expect an immediate improvement in exports, and decline in the volume of imports, though the value of the latter may be maintained by the fact

that the price of imported goods will rise to an extent corresponding to the depreciation of sterling. Theoretically, and notwithstanding all precautions to the contrary, the internal purchasing power of sterling, defined in the widest sense of the term, should tend to adjust itself to its external or exchange value, and as this takes place, exports will be checked and the restriction on imports removed. It is, however, far too early to tell how all these possibilities will work out in practice under the present most uncertain world conditions.

Home Reports

The Industrial Situation

The reports published on the following pages, most of which afford extremely gloomy reading, relate entirely to the period of financial, industrial and political strain immediately preceding the suspension of gold payments. The whole situation has now undergone a fundamental change, and all that can be said at present is that it has become even more uncertain than before. Wholesale prices are already beginning to rise, notably in cotton and non-ferrous metals, and this will give an initial stimulus to trade. Such a stimulus, however, is likely to prove short-lived, for each successive rise in internal prices adds to our production costs and diminishes the advantage now conferred upon our export trades by the depreciation of the pound. World trade has now to be conducted under even more difficult conditions than have hitherto prevailed, and it is most unlikely that the depreciation of the pound will not have most serious repercussions abroad. At home, the political situation is very unsettled, for recent events have given extremists of every shade of opinion their opportunity. It therefore behoves the business world to exercise the utmost care and caution.

Agriculture

England and Wales.—Heavy rains retarded the late harvest, though grain generally was of moderate quality. There is disease in the main potato crop and the yield per acre consequently will be below average. The same is true of root crops owing to lack of sun. Yields of both seeds and meadow hay were estimated to be above average in spite of the

bad weather conditions during harvesting. Grass continued to be plentiful and livestock did well. Milk yields have been normal.

Scotland.—With favourable weather conditions during September, harvesting has made good progress, and the quality of the grain has turned out to be better than was expected. The most promising crop is oats, but prices for all classes of new grain are, so far, disappointing. The main potato crop is also promising rather better, although lifting is not likely to be general until mid-October. In the livestock markets supplies have been heavy, and prices have shown a downward trend.

Coal

Hull.—The enquiry is meagre and, with plentiful supplies, prices generally are easy. The only exception is large coal, which, mainly owing to curtailed outputs, is very firm.

Newcastle-on-Tyne.—Northumberland large steams have been in demand at steady values and smalls are plentiful at unchanged prices. Gas and coking coals are still easy with little new business passing and ample stocks available. Best bunkers have been in fair demand at minimum prices.

Sheffield.—The export trade remains on the quiet side. Industrial fuels are in slow request and big stocks are on hand of secondary qualities and smalls. The hardening of prices has curtailed buying of household fuels.

Cardiff.—Outputs are down, but the available supplies of practically all grades are ample for current needs. Sized and small coals are particularly weak, and the demand all round is purely of a hand-to-mouth nature.

Swansea.—There is no material change in the general state of the Anthracite market. Large coal continues in demand and prices are well maintained, but the inferior qualities are in ample supply. The patent fuel industry remains quiet.

East of Scotland.—Navigation coal is still moving off as produced in both Fife and the Lothians and there has been a sustained improvement in the demand for washed fuels. More business could, however, be taken in hand for steam coals. Orders on home account have also shown some improvement.

Glasgow.—The home demand in Scotland is improving in accordance with the change of season. Export business, however, has not expanded very much except in the case of the

larger sizes of washed nuts, for which there has been a sustained demand for shipment, with a resultant scarcity of supplies and market strength. Polish and German competition is restricting the export of the smaller sizes.

Iron and Steel

Birmingham.—There are a few fair orders in pig-iron and steel for forward delivery. The downward course of prices has been arrested to some extent by the falling-off in French competition.

Sheffield.—Local trade conditions have not improved during the past month and the persistent absence of substantial enquiries is unsatisfactory. Throughout the trade one hears complaints concerning the smallness of individual orders.

Glasgow.—Neither the home nor the export demand for iron and steel shows any improvement, and a considerable proportion of the plant at the works in the West of Scotland is still unemployed. The position is, in fact, as bad as at any time since the depression began. Makers, however, are confident that Canada and the Eastern markets will soon place orders for larger tonnages and they are relying upon those markets for better employment for their mills.

Engineering

Birmingham.—In the motor trade some makers are fairly busy but returns generally show a decline over last year. The falling market in copper and spelter keeps the tube trade depressed and buyers will only fill immediate requirements.

Coventry.—Motor manufacturers are busy preparing for the coming shows, and several leading makers report large contracts for next season's cars which, if fulfilled, will show a big increase on last season's turnover. The electrical engineering trade remains active.

Luton.—Most sections are quiet, but motor manufacturers, especially in the commercial vehicle branch, are busy. Sales of private cars have fallen off on account of the nearness of the show.

Sheffield.—With the exception of the branch manufacturing material for central heating apparatus, trade is the worst on record. The agricultural machinery section has

secured a certain amount of business from Russia, but prices and the extended terms of credit are such that very little, if any, profit will result.

Glasgow.—No section of the engineering trades is more depressed than the marine branch, which continues to suffer from lack of orders owing to the scarcity of contracts for new boats. The contracts reported as having been placed with Clyde shipbuilders a little time ago are not of sufficient importance to be of much benefit to marine engineers.

Cotton

Liverpool.—Demand has continued very quiet apart from a transaction involving a large line of Russian cotton for a special buyer. Spinners continue to purchase only for immediate requirements, and there exists a complete lack of confidence both as regards the stability of prices and any recovery in the trade. Importing has scarcely commenced for the present season, as merchants are able to secure supplies more cheaply from local stock owing to the high basis on the other side. Notwithstanding the general dullness of business, prices have remained very steady at the low level reached in August. As to the supply situation, this, with the issue of the September Bureau report, is now fairly closely determined, the indicated crop, together with the carry-over from last season, furnishing a total supply of American cotton of practically 25 million bales. On the assumption, therefore, that the current season's consumption of this growth will not exceed that of the past season, viz., 11 million bales, it is possible to envisage a carry-over at the end of July next of the colossal quantity of 14 million bales. The situation facing the American producer is thus grave in the extreme, and while various remedial measures are being propounded by the American authorities it cannot be said that any solution of the problem is even in sight.

Wool

Bradford.—Business continues quiet, for although values are on a very low basis no section of the trade is getting orders worth mentioning. It is known, however, that stocks are very low and the general feeling is that buying cannot be postponed much longer.

Huddersfield.—Some little business is being done, but orders in bulk are entirely lacking. There has been a considerable falling-off in the export trade, but latterly business with China and Japan has shown some slight improvement.

Hawick.—In the Border tweed trade most of the mills are running on short time and little more than half the full loom capacity is at present employed. The hosiery trade is rather better, with the fancy goods section in particular showing signs of revival, but spinners and dyers are both poorly employed. The wool market is practically at a standstill and prices do not appear to have yet found their level.

Other Textiles

Belfast.—Reports on the flax harvest appear promising, though no sales of the old crop are in progress. The official return of yarns sold during the past month is surprisingly favourable and prices are in some cases lower than those of similar quality Continental spinnings. Orders generally remain of a hand-to-mouth nature, though there is, on the whole, more enquiry. There is an improved demand for cloth.

Dundee.—The production of jute goods is still declining, because spinners and manufacturers cannot accept the prices offered by users. Raw jute has fluctuated, the hardening tendency which followed unsatisfactory reports of the conditions prevailing in the up-country markets in India having been succeeded by weakness caused by the absence of buyers.

Dunfermline.—There is so little actual business passing in the Fifeshire linen trade that prices have become doubtful and spinners are not disposed to pay the rates asked for the raw material. In the home trade buyers of manufactured goods are working on the barest minimum, while, partly owing to the financial situation, business with America and the Colonies falls short of expectations.

Clothing

Bristol.—There has been no improvement during the last two months owing to the adverse weather. The possibility of more seasonable weather and the prospect of a change in Government policy are inspiring hopes of improvement.

Leicester.—There is some activity in outerwear departments for novelties and articles of fashion, but underwear

departments are quiet. A renewed slump in cotton has not helped matters, and markets generally are still very depressed. Manufacturers are still insistent that the continual imports of low-priced foreign goods are increasing unemployment in this country.

Luton.—In the ladies' hat trade a few firms are busy, chiefly on untrimmed felts which are cut and manipulated to present fashions, but the trade as a whole is dull.

Leather and Boots

Bristol.—In spite of the disappointing weather, manufacturers have found that a fairly satisfactory amount of orders for the autumn and winter are being placed. Sales of leather have not been quite up to expectations. Prices generally have remained unaltered except in respect of Continental sole leather, where there has been a tendency to decline.

Leicester.—A slight improvement has been noticed in the home trade during the past month, although there is still some short time being worked. A gradual seasonal improvement may, however, be expected.

Northampton.—There is a good supply of the cheaper grade of leather, which is in demand, and prices are irregular with a downward tendency. The price of best quality leather, however, is more stable. The boot and shoe trade is uncertain and there is keen competition to secure orders. Many factories are working short time. The towns in the county compete more for the cheaper class than Northampton, which is endeavouring to maintain its high standard.

Shipping

Hull.—With only a few orders being received and a plentiful supply of tonnage, rates generally remain easy.

Liverpool.—Rates in this section have tended towards a further decline and are now 20 per cent below pre-war. A moderate demand for tonnage for grain shipment continues to come from the Plate.

Newcastle-on-Tyne.—Chartering has been very quiet and owners have been forced to concede further reductions in rates for most directions.

Newport.—Rates generally have continued at unremunerative levels. There are 22 vessels laid up in the docks, as compared with 24 a month ago.

East of Scotland.—There has been a little more stir at the Forth ports with coal shipments and about 25 vessels are at present on loading turn at the various centres. Enquiries for tonnage in other directions show no signs of expansion and depressed conditions continue at the port of Leith.

Glasgow.—There is only a very limited demand for tonnage to load coal at ports in Scotland. Boats, however, are not freely offered generally—handy sizes are, in fact, scarce in some trades—and rates are as a rule steady.

Foodstuffs

Bristol.—There have been no serious set-backs in markets, but the volume of trade has been comparatively small.

Liverpool.—The wheat market has exhibited a steadier tone, due to less selling pressure, particularly from the U.S.A., where the poor outturn of the spring crop has afforded some timely assistance to holders. A further supporting influence has been the disappointing yield of the crops in Western Europe owing to the bad weather, and the consequent need for larger imports during the coming season. Nevertheless, quotations show no material change on balance, and any firmness usually evokes renewed offers on a large scale from weak sellers such as the Argentine and Russia, so that little change in market conditions is looked for. On heavy pressure from Plate shippers, assisted by a further fall in the exchange, maize cheapened to the new low record of 3s. per cental. This was just one-third of the price prevailing as recently as July, 1929. A good business has been put through at the low level. During the past month Continental bacon was generally in large supply, and with the cessation of holiday demand prices weakened. American bacon was a slow sale at easier prices. Hams were firm on scarcity and lard proved a steady demand with little alteration in values. In the canned goods section the sale of meats was slow at about unchanged prices, but fruits were a better trade. The butter and cheese markets showed small fluctuations and demand was generally quiet.

Fishing

Lowestoft.—The quantity of fish landed in Great Britain during August again decreased on the previous month. In spite of the increased catch for the English coast the total decline in herring production of British vessels was 2,000 tons, the value of the amount being less by nearly £180,000 sterling. The policy of Hull trawler-owners agreeing to divert their vessels from the prolific Bear Island grounds for the summer months was justified by results. Wholesale cod prices became firmer, the consumer being affected.

West of England.—In Mounts Bay the line-fishing carried on by the larger motor-boats at Newlyn has, on the whole, been favourable. The pilchard fishing has been most unsatisfactory and prices are down by 10s. per 1,000 on last year.

Scotland.—A fair measure of success continues to attend the efforts of those boats engaged on the line-fishing and prices are at a remunerative level. The bulk of the East Coast fishing fleet, however, is now operating in English waters, where catches have so far been disappointing, although the longshore herring are stated to be of splendid quality and prices are satisfactory.

Other Industries

Chemicals.—Business is still quiet, but shows a slight improvement.

Cutlery and Plate.—Little that is encouraging can be gleaned from the members of these trades. Here and there are to be found firms who are doing fairly well but the majority are in a condition of stagnation. Sales are on a low scale and present-day prices unremunerative.

Paper-making and Printing.—There is no improvement to record in the Edinburgh paper-making trade, where conditions reflect the prevailing general depression. The printing branch has, however, shown some little activity lately with the autumn publishing season, and the spurt in type-setting has been followed by increased work among the machine men.

Pottery.—Conditions are still rather quiet, but better orders are being received, due no doubt to preparations for the Christmas trade.

Timber.—The trade on the Humber for the past month has been quiet with a steady demand for building timbers. The heavy trades are still depressed and there is only a small demand for casewood. The mills are fairly busy with joinery, but floorings cannot be manufactured to compete with the foreign prepared boards. Prices are, if anything, slightly lower and as a considerable quantity of the Russian goods arriving are going into stock, a further drop is feared, more especially as the Finnish and Swedish shippers have large quantities unsold for shipment this season.

Dominion Reports

Australia

From the National Bank of Australasia Limited

Unsettlement abroad is naturally having an adverse effect upon Australia, and to some extent is stultifying the economies in public and private expenditure and the increased taxation resulting from the Australian budget. In the meantime, imports have been considerably reduced while merchandise exports are well maintained. There has been a considerable reduction in the wheat area sown, amounting from 25 to 30 per cent in Victoria and New South Wales and from 5 to 10 per cent in South and Western Australia. The wool clip is a large one but prices are lower.

Canada

As predicted earlier in the season, the yield of this year's harvest is low, but quality is described as a good average. The Eastern fruit crop was satisfactory, but current prices are quite unremunerative. Business experienced a further set-back during the August holidays.

India

Following on the Bureau report that American cotton crops were much larger than had been expected, American cotton prices have fallen and Indian prices have declined in sympathy. Indo-American parity has become so narrow that sales of Indian cotton are very poor and foreign goods are being imported at competitive rates. Dealings in piece goods, too, have been very poor. The offtake of

local goods has been meagre in spite of the reduced prices at which mills have offered to sell, and stocks still continue to increase.

Irish Free State

Improved weather conditions during the past month have allowed satisfactory progress to be made with harvesting operations. The general position is, however, far from satisfactory, particularly in the livestock branches, for though trade is fair and markets well attended, there is a gradual but continuous fall in prices with the result that in many cases they are below pre-war level.

Foreign Reports

France

From Lloyds & National Provincial Foreign Bank Limited

Railway figures recently published show a decline of 872 million francs or 9 per cent up to August 26th, as compared with the corresponding period last year. Unemployment now reaches 38,763 against only 928 for the same date in 1930. On the Stock Exchange prices continue to fall and railway stocks and first-class industrial shares are, in many cases, at lower levels than any recorded in the last ten years.

Bordeaux.—Vines are healthy and crops are expected to be plentiful, but unless there is warmer weather and more sun the quality will be below the average. Business is very slack. On the wine market transactions are scarce and prices falling.

Le Havre.—Cotton prices have been affected by American conditions and have fallen. Coffee has remained virtually unchanged. The prorogation of the Franco-Brazilian *modus vivendi* regarding the duty on coffee has produced a good impression.

Lille.—Business in the textile industry has been restricted. Flax and cotton spinners and several weaving mills are closing down or working short time. Though the smaller jute mills are working short time, substantial orders have been received by the larger ones which have set them going full time again.

Roubaix.—Trade continues at a very low ebb to which recent business failures, following on the uncertain conditions

in Central Europe, have contributed. Manufacturers of men's suitings have orders in hand for some time ahead, but makers of dress goods have great difficulty in keeping their machines employed. Grave concern is felt at the possibility of tariffs being imposed by Great Britain.

Marseilles.—The market in ground-nuts has again been dull and prices for all qualities have fallen. Business is very restricted and stocks of seed remain unsold both here and in the producing countries. Olive oil, too, continues to fall in price.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

There are no signs of improvement in trade anywhere. Prices in the iron and steel industry continue their fall and in the coal trade stocks are accumulating at the pit-heads. There is a slightly better demand for wool.

Germany

The standstill agreement was signed by German interests and by the foreign creditor banks in the middle of September, just before the suspension of the gold standard in Great Britain. While the terms of the agreement, and the accompanying emergency decrees, impose heavy burdens upon German banks and business firms, it is recognized that for the time being the country is protected from further losses of funds, and immediately after the British suspension of the gold standard it was believed that the mark would still be able to maintain its par value. Business, however, is seriously affected by the financial crisis, particularly in building and the heavy industries. A big increase in unemployment during the winter is anticipated.

Holland

Prospects in Holland are regarded with considerable gloom. For the first time since 1924 there is a deficit on the budget for ordinary revenue of 26,000,000 guilders, while it is estimated that for 1932 this will increase to 75,000,000 guilders, in addition to which crisis services are expected to require about 17,000,000 guilders. Customs duties have been raised from 8 to 10 per cent. The unfavourable commercial and industrial situation is

further reflected on the Stock Exchange, where prices of nearly all shares continue to fall.

Norway

After a five months' lock-out Norwegian labour troubles have at last been settled and peace is now generally secured until March 31st, 1934. In the meantime, the disastrous effects are to some extent shown in the trade returns for the first six months of the year. During this period imports have fallen to Kr.415·4 million against Kr.513·1 million for the corresponding period last year, and exports to Kr.232·4 million against Kr.354·4 million for the first six months of 1930. Exports of wood-pulp are less than half those of 1930 and much of the trade has been captured by foreign competitors. The Norwegian Whaling Association has decided to stand by their former resolution not to send any expeditions to the Antarctic during the 1931–32 season, but in spite of this shares have declined.

Sweden

The timber market continues depressed and some anxiety is being felt in view of the import restrictions decided upon in Norway and France. Total sales from the beginning of the year are estimated at 465,000 stds. as compared with 785,000 stds. for the same period last year. Prices are weak.

Denmark

State accounts for the past financial year close with a surplus which is expected to be about Kr.15 million. This may be considered as reflecting fairly satisfactory conditions in the past though it is doubtful to what extent these are continuing at present. Butter failed to return to its advanced price of Kr. 218 per 100 kilos reached a month ago, but after falling to Kr. 200 rose again to Kr. 212. Bacon, on the other hand, has throughout been weak.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

In spite of the depression in several Swiss industries and the adverse effect of world conditions, there is no really unsatisfactory feeling in Switzerland and the purchasing power of the home population is well maintained. There is, however,

a good deal of apprehension as to the effect of the possibility of tariffs being imposed by Great Britain. This, it is felt, would again reduce exports, which fell last month to 2·4 million francs.

Spain

Foreign trade figures for the first seven months of 1931 show an adverse visible balance of 164 million pesetas and a sharp reduction of both imports and exports. This year's wheat harvest is of better quality though the quantity is poor, and prices of wheat and flour have hardened.

Morocco

From the Bank of British West Africa Limited

Business during the past month has been generally quiet, though shipments of barley to France have been fairly important. Some interest has lately been shown in Moroccan markets by representatives of British firms who have visited the country and view the possibilities of trade there optimistically.

United States

Further set-backs in the basic industries have been recorded, and the steel trade has lately been operating at only 30 per cent of capacity. Oil stocks are beginning to increase, and the situation of industry is very difficult. Automobile production has again declined, and copper stocks rose during August to a new high record of 455,775 tons. Retail trade is at the moment a little better, but the downward trend of wages may soon affect home purchasing power.

South America

From the Bank of London & South America Limited

Buenos Ayres.—Exports from the Argentine for the first eight months of the current year have increased to 12 million tons against 7 million tons last year, though there is a decrease in value from $439 million gold in 1930 to $428 million gold this year. There has been a reduction in the area of wheat sown of 20 per cent. The maize yield is officially given as 9,500,000 tons.

Bogota.—The commercial situation is unchanged, but agricultural prospects have been improved by an abundant rainfall. Cattle prices, however, continue to fall.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts &Advances.
1930.	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
Sept. 24 ...	*156·3*	*355·8*	*61·7*	*55·2*	*64·2*	*41·1*	*5·7*
1931.							
Aug. 26 ...	133·3	350·3	59·3	46·1	53·6	50·2	9·3
Sept. 2 ...	134·3	355·0	55·7	44·5	60·3	53·7	7·3
Sept. 9 ...	135·9	353·9	58·3	45·8	54·8	51·1	8·3
Sept. 16 ...	135·6	351·6	60·3	48·0	58·4	49·4	8·3
Sept. 23 ...	133·6	352·7	57·3	41·2	64·9	60·2	13·6

2. TEN CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1930.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
August	*1,803·8*	*121·7*	*236·0*	*137·2*	*281·2*	*265·4*	*950·7*
1931.							
March	1,763·9	121·5	227·5	114·1	240·4	311·1	936·1
April	1,735·7	115·3	224·3	117·0	211·0	308·5	940·3
May	1,737·8	114·2	223·0	131·5	224·0	290·0	934·6
June	1,781·9	115·9	236·4	133·2	265·7	288·4	923·0
July	1,787·7	113·0	229·2	130·4	281·0	299·5	913·0
August	1,745·0	112·6	222·5	113·2	263·6	301·7	908·5

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.		
			1929.	1930.	1931.
			%	%	%
1902	58·2	January	46·8	45·1	45·9
1914	49·9	February	45·9	44·2	45·1
1919	60·7	March	45·2	44·5	45·3
1920	56·7	April	44·9	45·1	45·0
1921	50·7	May	44·1	44·0	44·8
1924	51·0	June	44·5	44·4	45·4
1925	49·6	July	45·4	44·7	45·7
1926	48·6	August	45·3	44·4	45·7
1927	47·4	September	45·3	44·7	
1928	46·4	October	45·6	44·8	
1929	45·2	November	44·7	44·8	
1930	44·7	December	45·3	46·0	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London. Bank Rate.	London. 3 Months' discount Rate.	London. Day-to-day Loans.	New York. Re-discount Rate.	New York. 90 Days' eligible Bank acceptances.	New York. Call Money.
1930.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Sept. 24 ...	*3*	*2 1/32—1/16*	*1 1/2—2*	*2 1/2*	*2*	*2*
1931.						
Aug. 26 ...	4 1/2	4 3/16—5/16	3 1/2—4 1/2	1 1/2	1	1 1/2
Sept. 2 ...	4 1/2	4 1/4—5/16	3 1/4—3/4	1 1/2	1	1 1/2
Sept. 9 ...	4 1/2	4 1/4—5/16	3 1/4—4 1/2	1 1/2	1	1 1/2
Sept. 16 ...	4 1/2	4 1/4—5/16	3 1/4—4	1 1/2	1	1 1/2
Sept. 23 ...	6	5 1/2—5/8	4 1/2—5 1/2	1 1/2	1 1/2	1 1/2

2. FOREIGN EXCHANGES

London on	Par.	1930. Sept. 24.	1931. Aug. 26.	1931. Sept. 2.	1931. Sept. 9.	1931. Sept. 16.	1931. Sept. 23.*
New York ...	$4·866	4·86 1/32	4·86 5/32	4·86 1/8	4·85 31/32	4·86 1/32	4·10 1/2
Montreal ...	$4·866	4·85 1/2	4·87 3/4	4·88 1/16	4·88 3/16	4·90 5/8	4·56 1/4
Paris ...	Fr. 124·21	123·78	124·00	123·96	123·95	123·97	104·00
Berlin ...	Mk. 20·43	20·41	20·50	20·52	20·87	20·62	17·87
Amsterdam ...	Fl. 12·11	12·05 9/16	12·05 3/4	12·06	12·05	12·04 1/4	10·25
Brussels ...	Bel. 35	34·86 3/4	34·85 1/4	34·89	34·94	34·95 1/4	29·50
Milan ...	Li. 92·46	92·80	92·92 1/4	92·94 1/2	92·90 1/2	92·90	80·00
Berne ...	Fr. 25·22 1/2	25·05 1/4	24·97 1/2	24·96 1/2	24·92 1/2	24·90	21·00
Stockholm ...	Kr. 18·16	18·09 1/2	18·15 3/4	18·15 3/4	18·15 7/8	18·16	16·50
Madrid ...	Ptas. 25·22 1/2	45·22 1/2	54·45	53·80	54·07 1/2	53·92 1/2	46·37 1/2
Vienna ...	Sch. 34·58 1/2	34·43	34·60	34·60	34·58	34·58	32·00
Prague ...	Kr. 164·25	163 3/4	164 1/16	164 1/8	164	164 1/16	140·00
Buenos Aires	47·62d.	40 5/16	31 3/8	31 11/32	31 5/16	29 7/8	32
Rio de Janeiro	5·89d.	5 1/8	3 1/16	3 1/16	3 3/32	3	3 1/8
Valparaiso ...	Pes. 40	39·89	39·69	39·69	39·69	39·69	35·00
Bombay ...	18d.	17 31/32	17 3/4	17 3/4	17 3/4	17 3/4	17 31/32
Hong Kong ...	—d.	16 1/2	11 3/4	11 3/4	11 7/8	12	13 1/4
Shanghai ...	—d.	19 15/16	14 3/4	14 3/4	14 3/4	15	17 1/2

* Gold Standard suspended September 21st.

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To Sept. 19, 1931.	To Sept. 20, 1930.	Expenditure.	To Sept. 19, 1931.	To Sept. 20, 1930.
Income Tax ...	51·0	57·5	Nat. Debt Service	146·8	142·9
Sur-Tax	15·6	13·3	Northern Ireland Payments...	2·4	2·3
Estate Duties ...	32·7	40·0	Other Cons. Fund Services...	0·9	1·2
Stamps	6·1	7·5	Supply Services	192·4	194·1
Customs	60·3	56·6	Ordinary Expenditure ...	342·5	340·6
Excise	55·9	58·7	Sinking Fund	18·7	21·3
Tax Revenue ...	223·0	235·0	Self-Balancing Expenditure...	32·1	34·3
Non-Tax Revenue	29·3	50·9			
Ordinary Revenue	252·3	285·9			
Self-Balancing Revenue	32·1	34·3			

Trade

1. PRODUCTION

Date.	Coal.*	Pig-Iron.	Steel.
1930.	Tons mn.	Tons thou.	Tons thou.
August	*4·2*	*417*	*451*
1931.			
March	4·5	357	500
April	4·3	323	397
May	4·2	347	435
June	4·2	324	429
July	3·8	317	429
August	3·8	276	357

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
August	*37·1*	*17·5*	*24·2*	*79·9*
1931.				
March	32·6	15·1	22·3	70·7
April	32·5	15·5	20·9	70·0
May	33·3	14·6	21·0	69·6
June	33·4	14·1	20·2	68·6
July	35·1	13·6	20·7	70·1
August	31·8	12·5	20·1	65·3

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
August	*4·0*	*4·4*	*33·1*	*42·8*
1931.				
March	3·0	4·1	25·6	34·0
April	2·9	4·1	24·3	32·5
May	2·8	4·0	26·0	33·9
June	2·6	4·0	21·6	29·4
July	2·7	3·8	26·5	34·2
August	2·6	3·4	22·0	29·1

4. UNEMPLOYMENT

Date.	1926.	1927.	1928.	1929.	1930.	1931.
End of—	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
January ...	11·0	12·0	10·7	12·2	12·6	21·5
February ...	10·4	10·9	10·4	12·2	13·1	21·7
March ...	9·8	9·8	9·5	10·1	14·0	21·5
April	9·1	9·4	9·5	9·9	14·6	20·9
May	14·3	8·7	9·8	9·9	15·3	20·8
June	14·6	8·8	10·7	9·8	15·4	21·8
July	14·4	9·2	11·6	9·9	16·7	22·6
August ...	14·0	9·3	11·6	10·1	17·1	22·7
September ...	13·7	9·3	11·4	10·0	17·6	
October ...	13·6	9·5	11·8	10·4	18·7	
November ...	13·5	9·9	12·1	11·0	19·1	
December ...	11·9	9·8	11·2	11·1	20·2	

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (1928-9 average = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
1930.					
August...	*82·4*	*85·7*	*87·4*	*82·5*	*89·9*
1931.					
March	72·4	78·2	78·5	73·0	82·1
April	72·2	76·6	78·8	72·4	81·9
May	70·0	73·5	77·4	71·1	81·6
June	68·4	72·2	76·2	69·5	81·0
July	68·4	71·9	75·2	68·0	80·5
August	66·4	71·4	73·6	67·8	79·4
August, 4th week	66·2	71·0	72·8	67·8	79·3
September, 1st week... ...	66·5	71·0	70·4	67·9	78·9
September, 2nd week ...	66·0	71·0	70·7	67·7	78·6
September, 3rd week ...	65·4	71·1	70·1	67·4	78·4
September, 4th week ...	67·3*	70·6	—	65·9	78·1

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische, Reichsamt.

* Gold Standard suspended.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1930.						
August	*44*	*53*	*110*	*70*	*75*	*57*
1931.						
March	29	54	100	75	75	47
April	29	54	95—100	75	75	47
May	27	54	95	70	75	45
June	30	54	95	70	75	47
July	28	54	95	70	75	45
August	28	54	90—95	70—75	75	45

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.	Cotton, American Middling.	Wool, 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
1930.	Per qr. s. d.	per lb. d.	per lb. d.	Per ton. s. d.	Per ton. £	per lb. d.
August	*39 9*	*6·92*	*27¼*	*65 1*	*135 1/16*	*4⅞*
1931.						
March	27 7	5·99	25¼	58 6	121 15/16	3⅞
April	28 0	5·68	24¾	58 6	112 13/16	3⅛
May	28 2	5·16	23¾	58 6	104⅜	3
June	27 1	4·80	21⅞	58 6	105	3
July	25 5	5·21	22¼	58 6	111 5/16	3
August	23 11	3·92	22¼	58 6	114 11/16	2½